

# MONEY & MISSION

VOLUME VIII, ISSUE 18 - JUNE 20, 2018



## **EDITORIAL: WRAP-UP OF VOLUME VIII**

This issue brings Volume VIII of *Money & Mission* to a close. We now take our customary summer break, with Volume IX to start on October 3.

During the Summer we will be considering topics for articles to include in future issues, and we welcome your suggestions. In recent months we have had requests for examples of challenging matters related to official tax receipts, something which affects the majority of the Army's ministry units; we have responded by including examples in this issue, and we are planning to have one or two similar articles in the Fall. Until then, thanks for reading and please watch your inbox for our next issue on October 3.

## **THERE IS NOTHING PETTY ABOUT PETTY CASH!**

By Lori Coleman, Director of Accounting Operations

The article "Internal Audit Findings: a Call to Action" in the January 3, 2018 issue showed "poor petty cash management" as one of the common findings. Petty cash by definition is a small fund kept on hand and maintained by a custodian for purchases or reimbursements considered too minor to warrant more rigorous purchase and reimbursement procedures. The Salvation Army by policy in the Territorial Finance Manual (TFM 6004) states that the petty cash amount should be in the \$100 to \$200 range. For the entire territory that would total \$44,000 to \$88,000. Instead, our financial statements show a balance of \$621,457!

We each play a role in managing spending practices. This article highlights some of the things we can do to be more faithful stewards.

If you are a petty cash custodian:

- Ensure that receipts/vouchers give details of the dates and purposes of the expenditures.
- Educate those in your unit about the appropriate uses of petty cash.
- Arrange for vendors to bill via invoice through our payables system or use the Corporate Visa.
- Reimburse employees (if reimbursement is one time) or volunteers through an Accounts Payable voucher request (it really isn't that painful!) or through TEM for employees who have regular expense claims.
- Keep funds and receipts/vouchers in a secured location.
- Discuss with the Ministry Unit Leader any concerns relating to petty cash usage. It is not appropriate to act as a bank and cash individuals' cheques nor to use cash income that hasn't been deposited to pay expenses.

If you are the Ministry Unit Leader accountable for petty cash:

- Review petty cash reimbursement requests to ensure they balance back to the original amount and sign before submission.
- Support the custodian in getting your vendors to bill you or accept a corporate credit card as much as possible, in order to reduce the amount of cash needed to be kept on hand.
- Ensure reconciliations are performed regularly.
- Ensure those asking for reimbursements understand the requirement for detailed receipts/vouchers.

### **Where do we go from here?**

The Finance Department is implementing a plan to move to a reloadable Mastercard program to replace petty cash wherever possible. The transactions will be available in TEM similar to the Visa process. As the owner of the funds is the Ministry Unit Leader, approval will flow through the division. After approval, the reload to the card should occur within 48 hours. There will be different limits established for funds that are actually program activities versus small expenditures, but both will move to the reloadable card. There will be further communication detailing the procedures as we commence rolling out the program in the next few months.

## **TAX RECEIPTING DILEMMAS**

While many donations for which a tax receipt is sought are straight-forward – both as to the amount of the receipt and whether such a receipt can be issued – others are more complex. The following six examples include complexities; test your knowledge on these, then see the correct answers below.

1. A person comes into your ministry unit wanting to make a donation to another ministry unit. Can you provide a receipt from your unit and then transfer the money to the other unit?
2. A member of your corps finds, when she is working on her income tax return, that she cannot find the receipt for the \$100 she donated some months before. Can a copy be issued to her?
3. An individual wants to donate an electric wheel chair to your ministry unit. He indicates that it was gently used and that it cost \$3,500. Can a receipt for issued for this amount?
4. A gentleman comes in to the Family Services office with a cheque for \$500. He says he needs a receipt to give to his parole officer to show that he has met the conditions of his court-ordered payment. Can you issue a charitable donation receipt?

5. Band members each pay annual dues of \$75 to help cover general costs, including new music, etc. Can charitable donation receipts be issued to them?
6. A member of the corps has been Promoted to Glory, and his relatives have asked that donations be made to the YP band. Receipts should be issued to: (a) the estate of the corps member; (b) the executor of the estate; (c) the person giving the memorial gift; (d) none of the above.

### **Answers to Tax Receipting Dilemmas**

These are responses to the six dilemmas set out above.

1. Yes, your ministry unit may acknowledge the donation with a charitable donation receipt, provided that the other ministry unit is in Canada and is registered as an associated charity of The Governing Council of The Salvation Army in Canada, the Army's primary legal entity.
2. The corps can issue a replacement receipt provided the replacement receipt clearly indicates that it replaces the original receipt, shows its own serial number in addition to the number of the original receipt, and includes both the date it is issued and the date when the donation was originally made.
3. A receipt can be issued provided the ministry unit needs the chair for its programs, or can sell the chair in its thrift store. As to the amount, the general rule is that any gift in kind over \$1,000 must be appraised at fair market value at the date of gift by a qualified person who is independent of both the donor and the charity, and the name and address of the appraiser must be shown on the donation receipt. (The original cost of the chair is irrelevant.)
4. No, because to meet the definition of a gift, it must be voluntary. However, you can give him a letter to acknowledge his donation to prove it was made to satisfy the Court order.
5. No, again because, to meet the definition of a gift, it must be voluntary. However, any amounts donated to the band over and above the amount of the dues may be receipted.
6. (c) is the correct answer. The receipt must be issued in the name of the actual donor.

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